

City of Tempe 457(b) & 401(k) Retirement Plans

Account Reduction Loan Highlights

These highlights are intended to answer frequently asked questions regarding Plan loans. If you have further questions, please contact your Great-West Retirement ServicesSM representative at **(800) 701-8255**.

May I take a loan from my 457(b) or 401(k) Plan?

Yes, as of December 1, 2004, you may borrow from your 457(b) or 401(k) account. An account reduction loan is a loan that reduces your account balance by the amount of the loan.

How much can I borrow?

The minimum loan is **\$1,000** and the maximum is **\$50,000**. You may borrow up to **50%** of your total account balance or **\$50,000**, whichever is less.

How is the loan taken from my account?

Amounts borrowed will be pro-rated against all of your investment options for the amount borrowed.

What is the interest rate I must pay back?

The interest rate is the Prime Lending Rate declared in *The Wall Street Journal* on the first business day of the month in which the loan is processed **plus 2%**. This amount is fixed for the life of the loan.

Will all of the interest be paid back into my account?

Yes. All interest payments will be paid directly to your account and invested into your current deferral allocation at the time of repayment.

What are the fees for the loan?

There are two fees: 1) a one-time **\$60** loan origination fee that is charged for each new loan, and 2) a quarterly **\$8.75** maintenance fee that is charged for each outstanding loan.

How many outstanding loans may I have at any point in time?

One. However, keep in mind that all loans are limited to **50%** of your total account balance and cannot exceed **\$50,000**.

How are loan payments made?

Loan payments are made through payroll as after-tax deductions. These deductions are in addition to any current contributions you may be making.

May I pay my loan by personal check?

No. Scheduled loan payments must be made by payroll deduction, or, in special circumstances (as approved by the Plan), by cashier's check or money order.

What happens if I sever employment?

Upon severance of employment, you must choose one of the following two options:

- 1 Pay off the entire amount owed on the loan, or
- 2 Treat any outstanding balance as a taxable distribution.¹

How do I apply for a loan?

There are two ways to apply for a loan:

- 1 Call KeyTalk® at **(800) 701-8255**.²
- 2 Visit **www.gwrs.com**.²

You will need your PIN to apply.

How do the deductions get processed?

Your Payroll Department will be notified to begin the deductions from your pay approximately 45 days after the loan is processed.

Please note: It is your responsibility to verify that the loan deductions begin in order to avoid default. Reference the amortization schedule for timing of payments.

How long will the loan processing take?

Once you apply online or through KeyTalk®, checks are generally mailed within 7-10 business days.

¹ Withdrawals from your 401(k) Plan are subject to ordinary income tax. A 10% federal tax penalty may apply to withdrawals made prior to age 59½.

² Access to KeyTalk® and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the Web site or KeyTalk® received on business days prior to close of the New York Stock Exchange (4:00 p.m. Eastern Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

Great-West Retirement ServicesSM refers to products and services offered through Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Investment options offered through a combination of mutual funds and a fixed and variable deferred annuity issued by Great-West Life & Annuity Insurance Company. Your Plan utilizes Annuity Policy Form#GFVAC 1-02 & GFF 1-97. Not intended for use in New York. Form#98443-01/02 457LH (10/4/04)